

The

THE MAGAZINE FOR
GROWING COMPANIES

JUNE 1989
\$3.00

ANATOMY OF A START-UP

THE SELF-TAUGHT ENTREPRENEUR

After two years Octavia Randolph is ready to launch her products. For a look at her business plan, and what the experts are saying about it, see page 84.

A SURVEY OF THE INC. 500

Where do America's fastest-growing companies and their founders come from?

Not where you think. SEE PAGE 51

INC. 500



C O N T E N T S

FEATURES

- 36 Who's in Charge Here?** *BY TOM RICHMAN*
Portrait of the relationship between a founder and a professional manager
- 51 AN INC. 500 SURVEY**
The Origins of Entrepreneurship *BY JOHN CASE*
Where do America's fastest-growing private companies and their founders come from? Not where you think
- 67 Natural Partners** *BY JOEL KOTKIN*
A new source of start-up financing
- 84 ANATOMY OF A START-UP**
Educating Octavia *BY EDWARD O. WELLES*
How Octavia Randolph bootstrapped her way through two years of self-education—and turned her idea into a company
- 94 Born to Be Big** *BY STEPHEN D. SOLOMON*
Tom Stenberg's battle to dominate the industry he created

COLUMNS

- 29 The New Economy: Sources of Innovation.** *BY JOHN CASE*
A fresh perspective on the role of big companies and small
- 30 Required Reading: The Long View.** *BY TOM RICHMAN*
A book that helps you think about the way technology is redefining your business
- 33 Policy: Living in the Past.** *BY JOEL KOTKIN*
Why the Democrats can't win national elections
- 119 Marketing: When Quality Isn't Everything.** *BY PAUL B. BROWN*
What do you do if you build a better mousetrap and no one cares?
- 125 Capital: The New Quiet Money.** *BY ELLIOT STRAUSS*
They don't have a branch on every street corner, but that doesn't mean private investors won't be happy to see you
- 131 Managing People: Growing Your Own.** *BY BRUCE G. POSNER*
When you can't afford to hire experienced people
- 135 The Law: Information, Please.** *BY MARISA MAXLET*
How to give useful job references without getting into hot water
- 141 Executive Software: Consultant in a Can.** *BY PAUL A. STRASSMANN*
At last, a program that can really help with budgeting and planning
- 145 Managing Technology: Look Ma, No Hands.** *BY CARL LIP*
If you're on the phone a lot, you might think about getting a speakerphone—or a headset

DEPARTMENTS

- 11 Letters:** An INC. 500 for women! New York strikes back: Brown's mint julep recipe
- 20 Insider:** The legendary Henry Kloss, 6-Twelve takes on 7-Eleven: Hotline: New Businesses
- 114 Hands On:** Tips on time management, selling, customer service, and recruiting
- 156 Investing in Growth Companies/Street Talk:** Small investors, beware

INC. COVER STORY



84 Octavia Randolph
The education of an entrepreneur



36 Krause & Metcalfe
Who's in charge at 3Com Corp.?



119 Josh Roberts
When quality isn't everything

COVER PHOTOGRAPH
BY
Webb Chappell

INSIDER

COLLECTING FOR UNCLE SAM

As a creditor, the federal government is about as easy as they come—so easy that it has up to \$38 billion in nontax delinquent debt on its books. Shocked by that figure, Congress passed the Federal Debt Recovery Act of 1986, aimed at computerizing and privatizing the federal debt-collection system.

Now, the Justice Department has selected the software of a small company—Legal Software Solutions Inc. (LSSI), in Jericho, N.Y.—to get things going. Under a \$5.2-million contract, LSSI will automate the department's debt database and hook it up with the nation's U.S. Attorneys. The system will also be linked to dozens of private law firms that will be authorized to litigate federal debt-collection cases for the first time. Private attorneys will receive 10% to 38% of the amounts recovered.

To test the system, the department has launched a three-year pilot program, in-



Federal debt collector Robert N. Ford
Revolutionizing the way Uncle Sam deals with deadbeats

volving 10 U.S. Attorney's offices, each working with four law firms. The program targets all federal debts except those related to taxes, Social Security, tariffs, and criminal fines. Included are defaulted loans from the Small Business Administration, the Department of Veteran Affairs, and the Department of Education.

LSSI's system, called EasyCollect, will streamline the process. According to Peter G. Fleischman of LSSI, the software eliminates 85% of all file handling, allowing one trained person to monitor up to 50,000 cases. LSSI, with 1988 sales of \$1.1 million, has installed about 75 such systems, primarily in collection law firms, banks, department stores, municipalities, and collection agencies. Fleischman hopes that the Justice Department contract will open the way to the public sector. "The gold ring," he says, "is state contracts."

For the Justice Department, however, the gold ring is a significant chunk of federal debt, and officials are excited about the prospects.

"[The EasyCollect system] is going to revolutionize the way we collect debt," says Robert N. Ford, deputy assistant attorney general for debt-collection management. "If private law firms and lawyers make money on [the pilot program], they will lobby Congress to extend it all over the country." —J.F.

HIGHWAY BEAUTIFICATION

You don't have to be American Express to appreciate the benefits of a good brand name and a loyal customer base. Just ask Billy Stevens, proprietor of the World Famous Iron Horse Saloon, in Ormond



The Iron Horse line of cosmetics
A loyal customer base on wheels

Beach, Fla. His customers are so loyal that they'll even buy the house brand of cologne—and we're talking about your basic, hard-core bikers here.

For eleven and a half months of the year, the bar caters mostly to the local motorcycle crowd. But for nearly two weeks in March, it's besieged by thousands of bikers who come to town for the largest annual motorcycle gathering in the country. Recognizing a bonanza when he saw one, Stevens began slapping the Iron Horse name onto everything from hats to lace underwear to bandannas, not to mention can wraps and condoms.

And how did he happen to come up with the idea of selling cologne to bikers? "We were sitting around having a couple of beers and got silly talking about it," admits Stevens, a former district service manager for a Boston car dealership.

Silly or not, he moved 500 bottles of Harley Heaven, Motorcycle Musk, and In the Wind Cream during the most recent pilgrimage, clearing about \$5 per bottle. (Meanwhile, he was selling 9,000 beers a day, and about 12,000 T-shirts.) Now, Stevens is planning to extend his line—with roll-on deodorant. —Leslie Brokaw

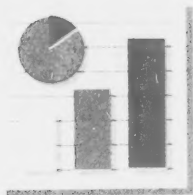
THE ANCESTRY FACTOR

Rank	Ancestry Group	Business Ownership Rate*
1	Russian	117.4
2	Lebanese	106.6
3	Rumanian	104.3
4	Swiss	104.2
5	Greek	94.9
6	Armenian	94.5
7	Danish	93.2
8	Syrian	92.7
9	Norwegian	88.2
10	Austrian	85.7
11	Czech	76.9
12	Swedish	76.2
13	Belgian	74.7
14	Latvian	74.4
15	Welsh	72.4

*Defined as the number of self-employed persons per 1,000 of each group's population

Does ancestry affect the likelihood that someone will start a business? Perhaps. According to Census data, the rate of business ownership varies widely by ancestry group. While the national average is 48.9 self-employed persons per 1,000 of population, the groups above top the list.

INSIDER (continued)



THE ORIGINS OF ENTREPRENEURSHIP

Where do America's fastest-growing private companies and their founders come from? Not where you think

BY JOHN CASE

Entrepreneurs these days play a mythical role in American culture. They're our risk-taking adventurers. Heroes of the new economy. And the INC. 500—the nation's fastest-growing privately held companies—are entrepreneurship incarnate, themselves the stuff of myth. You want life on the leading edge? Daring leaps into the unknown? Ask the founders of INC. 500 companies how they got their start.

Or so we figured.

We certainly posed the questions. By way of an eight-page survey and dozens of follow-up phone calls, we asked INC. 500 CEOs to recall for us how they came to create a company. We probed their background and experience. We asked them where they got the idea for their business, how they implemented it, and of course how they financed the whole thing. Given the mythology of entrepreneurship, we expected tales of inspiration and imagination, of boldly going where no man (or woman) had gone before.

So much for expectations. Instead of swash-bucklers, we found hardworking, experienced businesspeople—people such as Jim Hanahan, Bobby N. Frost, and the many others you'll meet on the pages that follow. Instead of life on the edge, we found them pursuing their fast-growing ventures in everyday industries, from insurance administration to mirror manufacture.

And instead of iconoclastic individualists, the

cowboy capitalists of America's dreams, we found people enmeshed and embedded in industries, with rich networks of contacts and colleagues they could draw on to help them build a business. For most, the secret of successful entrepreneurship seemed to lie not just in individual inspiration but in knitting a dozen different interests into one cooperative endeavor. Creating a company was a matter of knowing customers, suppliers, partners, and sources of capital. It was a matter of knowing a marketplace well enough to notice tiny fault lines of change—fault lines that would one day become sizable niches in the business landscape.

For us—we'd better admit it—this discovery was a little unsettling.

Like the rest of the press, we're constantly on the lookout for heroes. In our case, that means entrepreneurs who are somehow larger than life, who have seemingly inborn traits that allow them to succeed—and sometimes fail—in spectacular fashion. We paint verbal portraits of these men and women, hailing them as entrepreneurs of the year or the decade, holding them up as exemplars. The rocketing growth of INC. 500 companies fits naturally into this scheme of things. We know that somewhere among each year's list will be CEOs who can tell us truly astonishing stories, stories of breathtaking risk and soul-satisfying reward.

But the unemotional numbers of the survey

An INC. 500 Survey

TRADE SKILLS

- *Did your parents run their own business while you were growing up?*
- *Did you ever start a serious business as a child or student?*
- *Did you start any companies other than your INC. 500 company?*
- *What was the single most important source of your skills and abilities as a company builder?*
(see page 53)

THE IDEA

- *Where did the idea for your INC. 500 company come from? Brainstorm? Hobby? A market niche you spotted? Your in-depth understanding of your own industry or profession? Someone else you could copy?*
(see page 54)

FIRST STEPS

- *Who helped you develop your idea and turn it into a business?*
- *How long did it take to start your INC. 500 company, from the original idea to the beginning of operations?*
- *How fast did you originally plan for your company to grow?*
(see page 56)

MONEY

- *How much money had you estimated you'd need to launch your company?*
- *How much money did you turn out to need?*
- *What were your most important sources of capital?*
(see page 58)

THE POCKET COPIER

#D150
\$199⁰⁰
+ \$5.50 Shipping Costs

SRT
STRONG
RESEARCH &
TECHNOLOGY INC.

CREDIT CARD ORDERS, call 1-800-361-9603/24 hrs. - 7 days a week.
In Canada, Alaska and for information, call collect (514) 393-1779. Cheque or money order,
please send to SRT U.S.A., 730 Fifth Ave., 9th Floor, N.Y., N.Y. 10019.

NAME _____
ADDRESS _____
CITY _____ STATE _____ ZIP _____
AMX VISA MC ACCT# _____ EXP DATE _____
ITEM # _____ CITY _____

Member of
BBB

30 DAYS MONEY BACK
GUARANTEE

teach a different lesson: that these characters are the exception, not the rule, and that the creators of the INC. 500 companies are down-to-earth, practical-minded people for whom, more often than not, building a business was simply the next logical step in a career. Jim Hanahan spent 23 years with an insurance company. Then the market shifted ever so slightly, threatening to undercut a small part of his employer's business. Hanahan decided he'd rather switch than fight and set up a company of his own to capitalize on the new environment. Other stories are similar. After 22 years in the industry, Bobby Frost started a mirror-manufacturing company to take advantage of technology that his employer was ignoring. Tom Scholl spent 13 years with Young & Rubicam in Detroit before setting up his own ad agency, seeking out clients he thought Y&R was overlooking.

Risk? Sure—any of these businesses might have failed. Hard work? That too. "We'd all be president or whatever during the day and work in the plant at night," remembers Frost, who began his business with his brother. Entrepreneurship is never easy. But all these people, like many others we talked to, were venturing into familiar territory with well-delineated risks. If they failed, well, jobs would have been waiting for them elsewhere in their industries. And the steps they took in the earliest stages—steps you'll hear more about in subsequent sections—kept the chances of failure to a minimum.

The inescapable conclusion: entrepreneurs are made, not born. Made by their experience. Made by the changing market-places in which they find themselves. Granted, maybe there's some quirk of personality, some subtlety of background, that separates these INC. 500 CEOs from their erstwhile counterparts who kept climbing the corporate ladders. But we don't know how to describe that difference, and we doubt it's the same for everyone. What is the same—what crops up over and over in the stories we heard—is what you might call situational entrepreneurship. As individuals, the people aren't so different from the rest of us. But they were working in situations where, thanks to their experience, they knew exactly how to go about building a business. They were smart enough to spot the opportunity and knowledgeable enough to take the right first steps.

It's always tempting to glamorize the dramatic adventurers in the business world; like movie stars and major-league ball players they lend a little pizzazz to everything they touch. But maybe it's not so discouraging to find that entrepreneurship is a more mundane matter than it's sometimes portrayed. As the stories and statistics of our survey show, you don't need to be a person of mythical proportions to be very, very successful in building a company.

WOMEN^{IN} BUSINESS

Item: In the last decade, women-owned businesses grew from 700,000 to 3,000,000 companies.

Item: Recent figures show \$56 billion in annual revenue generated by companies owned or led by women.

Item: By the year 2000, fully half of all business owners are projected to be women.

Now there's an exciting Inc. video called *Women In Business* for women who are starting companies, who own companies, who are moving up in big, small and growing companies.

Women executives in industries as diverse as real estate, construction, aerobics, and more, advise and inspire you to • Overcome the stereotypes • Develop the entrepreneur within you

• Live with risk • Seek financing • Manage effectively • Build credibility • Hone negotiating and selling skills • Work networks • Deal with "no" • Balance success.

It takes guts to start, determination to succeed, and just \$19.95 plus \$2.50 shipping for Inc.'s one-hour VHS video *Women In Business: The Risks, Rewards and Secrets of Running Your Own Company*.

To order, call toll-free 1-800-372-0018 Ext. 3670, right now.

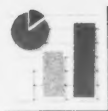
Or send a check to Inc. Videos, P.O. Box 68618, 6360 LaPas Trail, Indianapolis, IN 46268.

If you prefer, charge your order to your American Express, VISA or MasterCard. Simply include your credit card's name, number and expiration date along with your signature when you write.

INC. VIDEOS: 1-800-372-0018 Ext. 3670

Inc. Videos are exclusively distributed in the home retail market by Warner Home Video.

TRADE SKILLS



Jim Benedict had 15 teenagers working for him—shoveling snow off shopping-center roofs in his hometown of Buffalo—by the time he was 10 years old. By age 27 he had started three more companies, including the advertising and marketing agency he now owns.

You can find these entrepreneurial wunderkinder if you look hard enough, men and women with company building apparently in their blood. Depending on how you count, anywhere from one-sixth to one-third of our sample are these Born Entrepreneurs (see box below).

But if you want a more typical case history, consider Jim Hanahan. Or maybe Mark S. Smith.

Hanahan, 56, runs a third-party administration company, as it's known, which manages self-insured health plans for corporate clients. You wouldn't have pegged him for an entrepreneur: no childhood businesses, no other start-ups, just a 23-year career with multibillion-dollar Connecticut General Life Insurance Co. (now CIGNA) in the staid old insurance industry. Smith, 41, worked in Southern Railway Inc.'s marketing department and wound up with the wonderfully bureaucratic title of manager of intermodal pricing. If Southern hadn't wanted to transfer him from Washington, D.C., to Roanoke, Va., he might still be there, instead of running his own transportation service company out of Overland, Kans.

What makes Hanahan and Smith typical? Just this: two-thirds of our respondents grew up in households where their parents worked for wages rather than running their own businesses. Nearly as many undertook no entrepreneurial ventures as children. Three-fifths started no companies other

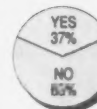
than the one that landed them on the INC. 500. Almost all of the respondents, in fact, did just what most people do: they went to school, got jobs, took up a particular line of work. Ask them how important for their current role were the skills they acquired while working, and a whopping 85% check "critically important" or "somewhat important." Ask them to cite the single most important source of their abilities as a company builder, and at least twice as many point to "work or professional experience in an industry" as to any other answer.

There's a theory, dubbed trade skill, that argues for the importance of early exposure to entrepreneurship. "Usually the person who successfully starts and runs a small business," write the people who invented the concept, "either had a parent or close relative who had a business or... they had significant business experience themselves before the age of 18." For about a quarter of our respondents, that theory seems to hold true. Like snow-shoveler Jim Benedict, they point to family background and childhood experience as the key source of their talents, and report that they had the most important skills and abilities for company building by the time they turned 21. And doubtless a much larger fraction of our CEOs come from entrepreneurial backgrounds than you'd find in the population as a whole.

But if the trade skill theory doesn't describe you, don't despair. It doesn't describe Hanahan, Smith, or most of the other INC. 500 founders either. For the majority of respondents, what made the difference between continuing a career and starting a company wasn't any formative childhood experience. It was the simple fact of spotting—and developing—a new idea.

ENTREPRENEURIAL EXPERIENCE

Did your parents run their own businesses while you were growing up?



Did you ever start a serious business as a child or student?

Did you start any companies other than your INC. 500 company?



SOURCES OF SKILLS

What was the single most important source of your skills and abilities as a company builder?

Work or professional experience in an industry



Family background and childhood experience



The experience of starting other businesses



All other responses



What was the critical time in your life for acquiring these skills and abilities?



Before age 21
As an adult

BORN ENTREPRENEURS

If you wanted to prove that entrepreneurial instincts are genetic in origin, you might trot out Robert G. Barbour as Exhibit A. "The question growing up was never whether I'd be in business for myself, it was what that business would be," says Barbour, founder of Windline Amanet.

Some people do seem almost born to the calling. Thirty-seven percent of our respondents started at least one serious business in their youth. Nearly half of those started two or more. And 41% started at least one business as adults other than their INC. 500 company,



with a quarter of that group starting three or more companies.

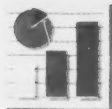
Barbour, 42, qualifies on all counts. In college he netted some \$150,000

selling inventions ranging from a "slurp gun" (for trapping tropical fish) to a patented alarm system. Then came more serious company building. Sunrise Leather, a manufacturer of belts, vests, and handbags, reached \$700,000

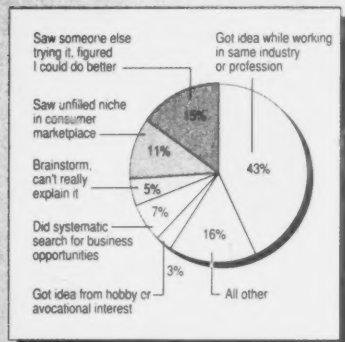
in sales before Barbour cashed out. Two companies later Barbour was designing and selling equipment and technology used in the art glass and decorative ceramics industries. After that he started a laboratory to grow synthetic emeralds, and he imported natural emeralds. Finally his interest in yachting led to the creation of Windline Marine, a manufacturer of boating accessories. Several years later he started an industrial and aerospace-components division called Amanet. Today Windline Amanet is doing \$3 million in sales.

—Elizabeth Conlin

THE IDEA



WHERE GOOD IDEAS COME FROM



How to explain where Great Business Ideas come from? Some of our respondents didn't try; they checked the box on the questionnaire that said "Brainstorm; can't really explain it."

But more common than the out-of-the-blue inspirations were the explicable ones, the ideas that caught their creators by surprise but in retrospect seem pretty logical. James Ake's liquid plant-food business was chugging along at a modest speed until, caught in the middle of a rush order, he realized his automatic bottle-fillers couldn't do the job fast enough and so designed a new machine. Today Ake's Electronic Liquid Fillers Inc. sells \$11 million worth of filling equipment.

The mythology of entrepreneurship celebrates such serendipity, propagating an image of the lone company-inventor suddenly flashing on the idea of a lifetime—and sometimes it happens just that way.

Typically, though, the idea for a fast-growing business appears in much more pedestrian fashion. The structure of a marketplace shifts, maybe ever so slightly. A new niche opens up. And all at once people like the aforementioned Hanahan or Smith, people who may never have expected to become entrepreneurs, are out

on their own and amazed by their own success.

Market shifts come in many guises. For Hanahan, the key factor was a federal court ruling allowing corporations to set up self-funded health-insurance plans, a murky legal area until 1978. That "opened the floodgates," he says, in that it created a market for specialists in setting up and administering such plans. Hanahan's St. Petersburg, Fla., firm, with the self-defining name of WHP, First in Employee Benefits Inc., was among the first in the marketplace. Smith also was the beneficiary of a change in the regulatory environment. Railroad deregulation created a niche for companies that could negotiate deals with the



'I spent 23 years working in the same area. I saw consumers' concerns and decided that there must a better way.'

—Jim Hanahan

GEORGE JOHNSON

UNLIKELY SOURCES

If you have a lemon, goes the saying, make lemonade. And if you're facing a problem, turn it into the idea for an INC. 500 company.

■ **Ministering to the sick.** Jean Griswold, wife of a Presbyterian pastor, tried to find volunteers to help elderly parishioners with errands and household tasks. Her success was sporadic, until she realized that the old folks were willing to pay for help. She then began hiring students to do the work. From these modest beginnings Special Care Inc. has grown to a \$10-million, multistate operation supplying full- and part-time help to the elderly and infirm.

■ **Reinventing the wheelchair.** Allan Thieme, a plumber for 12 years, was visiting Mexico with his wife, who uses a wheelchair, and found the chair off-putting as well as awkward—"People wouldn't get near us; they just stared." For the next six months he worked in his spare time to build a light, motorized, three-wheeled scooter that performs the same function as a wheelchair but doesn't carry the stigma.

Now, Amigo Inc. sells \$10 million worth of the vehicles annually, which—according to an owner who is now a company salesperson—"bring a sense of self-respect and independence" as well as mobility.

■ **Blackmailed into business.** While still in his twenties, Philip Walkenshaw tried repeatedly to start an enterprise he called Tartan Laird Ltd., selling family histories and tartans to people of Scottish descent. But he couldn't find the capital. Finally Ralph Jansen, a former boss of Walkenshaw's, said he'd invest if Walkenshaw first started an agency to handle the advertising for the publishing company Jansen worked for. Reluctantly Walkenshaw agreed, running the tiny ad agency out of his back pocket while developing his Tartan business plan. The latter, alas, went nowhere—so Walkenshaw finally turned his attention to the agency, landing Montgomery Ward as his first big client. Today Walkenshaw's Townsend Agency Ltd. is doing nearly \$15 million in billings.

rail lines and with truckers, then sell packages of door-to-door transportation services to shippers. Smith's \$15-million Hub City Kansas City Terminals Inc. grew 783% between 1983 and 1987, thus making last year's 500 list.

Sometimes it's technology that shakes up a marketplace. Computer companies, for an obvious example, can get started by taking advantage of ever cheaper processing power. Solution Systems Inc. founder Neil Kleeman, 41, spent about \$300,000 on a computer equivalent to his former employer's million-dollar machine, and was able to lure customers away with lower prices (see box, "Your Basic Good Career Move," page 62).

But technology crops up in less likely places as well. When we heard of Consolidated Glass & Mirror Corp., in Galax, Va., a mirror and glass fabricator for the home-furniture industry, we thought we'd found the quintessential low-tech, rural business. Our mistake.

"A lot of technology came on the market about 1980 that hadn't been there," says cofounder Bobby N. Frost, 51, explaining in a rich southern accent where he got the idea to start the company. "It's all computer numerical control equipment, and it's revolutionized the manufacture of glass and mirrors for furniture." Frost, then a superintendent for another company in the industry, had worked in glass and mirror fabricating for 22 years. When he learned his employer wasn't really interested in the new technology, he and his brother John set up shop with state-of-the-art machinery. Eight years later they're up to more than 600 employees and \$36 million in sales.

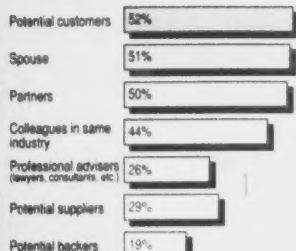
(continued)

FIRST STEPS

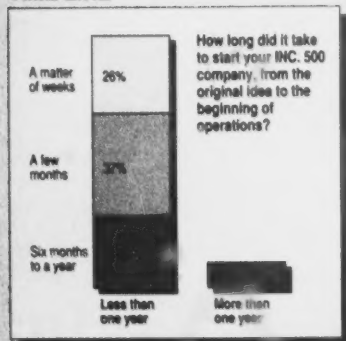


HELPING HANDS

Who helped you develop your idea?

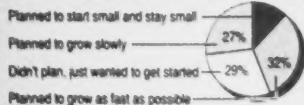


TIME LINE

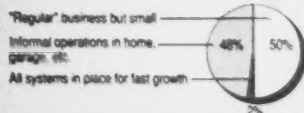


START-UP AMBITIONS

What was your original intent for your company?



What was your company like when it first began operations?



When we planned the questionnaire for our INC. 500 chief executives, we figured we'd write a here's-how-to-get-started section of the article. So we asked the respondents: who helped you develop the idea? Who helped you turn it into a business? What, exactly, did you do first? We also asked them how long it took to get the company operating and whether they planned on fast growth (see charts) or on any sort of growth at all. When we began browsing through the responses, we realized our textbook-style approach was in trouble.

For starters, there was the head-down, do-it-don't-talk-about-it minority, the one-eighth or so who checked "didn't really discuss the idea with anyone" and a like number who said "didn't really get help from anyone." Hard to recommend that lone-wolf model, though it sure worked for some. For the others, the difficulty was in teasing out patterns. First steps? Except for developing a business plan (58% had a casual one, 21% a formal workup), fewer than half the respondents checked *any* one answer on the questionnaire. Only 45% consulted a lawyer. Only 31% met with bankers. Only 25% developed marketing materials.

As for initial plans, roughly equal numbers of respondents planned to grow slowly, planned to grow fast, and didn't plan at all. What should we make of that?

Worse, the INC. 500 CEOs weren't always happy with what they did do. More



'We knew the customers—many, many customers—and how to deal with them. We knew just what they wanted.'

—Bobby N. Frost

than a third, for instance, said that they went out and found partners as one of their first steps, and fully half reported that they got help from partners in developing and implementing their idea. But later, when we asked what had gone wrong with their plans, "trouble with partners" was the single most common refrain. "Have no partners," advised one, musing no words.

And yet—there was a surprise or two buried in the developing-the-idea section of the questionnaire. We expected "spouse" to rate high as a source of help; we were right. We also expected "potential back-

ers" and "professional advisers" (lawyers, accountants, etc.) to score high. We were wrong. Instead, respondents told us they got help from potential customers and colleagues in the same industry; nearly a third cited potential suppliers. What gave them their competitive edge, we discovered, was that they had the contacts and knowledge necessary to weave familiar threads into new patterns.

Take Jim Hanahan again, founder of the company that administers self-insured



'If you're starting out and don't know what you're doing, the first thing to do is get somebody who does.'

—Mark S. Smith

health plans. After 23 years with Connecticut General, Hanahan knew how much his target customers were paying in insurance premiums. He knew how much their rates had gone up, and how much, on average, went to pay benefits. He had the contacts to arrange for caps on potential customers' liabilities through Lloyds of London.

His early discussions with prospects were simple. Imagine you bought in with us today, he'd say, and we'll track your premiums and potential savings over the next 12 months. His first full year in operation generated only \$100,000 in revenues. But five years later he was up to \$4.5 million.

Others told similar stories—of knowing an industry and the people in it well enough to utilize suppliers effectively and to create exactly what customers were looking for at a particular time.

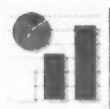
Neil Kleeman, of Solution Systems Inc., watched one of his previous employer's customers increase their computer usage to the point where it made sense for them to set up an in-house system. That was when he approached them and offered to sell them equivalent data-processing services for 30% less than they'd been paying.

Robert W. Howe, CEO of Atlantic Data Services Inc. (ADS) in Quincy, Mass., was working for a bank-owned data-processing center when bank deregulation began to take hold. Observing that banks were looking for more and more customized software, he began making contacts both with software vendors (who could supply programs tailored to each customer's needs) and with potential customers. When he went out on his own he had two clients ready to sign up.

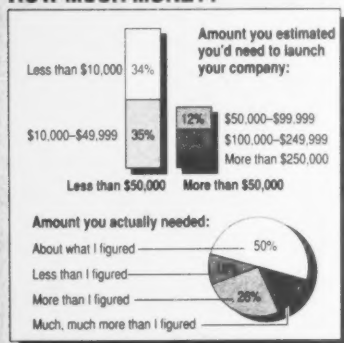
To our minds, it took surprisingly little time to set up an INC. 500 company, in most cases a few months or less. What it did take was intimate knowledge of a market. The first steps followed logically from that.

(continued)

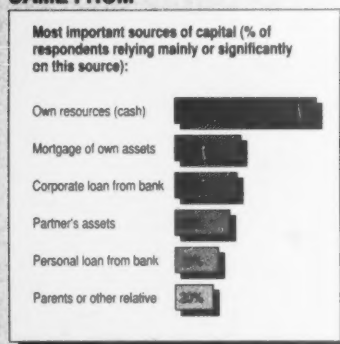
MONEY



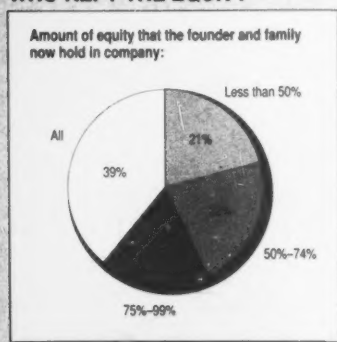
HOW MUCH MONEY?



WHERE THE MONEY CAME FROM



WHO KEPT THE EQUITY



Anyone who hasn't done it *knows* how to raise money for a start-up. You work out detailed financial plans, figure out how much you'll need, then double it. You take your plans around to friends, relatives, other potential investors. You stay away from banks; banks don't fund start-ups.

According to the experience of INC. 500 CEOs, that view is wrong, wrong, and wrong again.

Detailed financial plans? Not here; only 15% had full workups, while 41% relied on informal estimates. Another 37% said they didn't make financial plans at all, just wanted to start with as much money as they could lay their hands on.

In most cases, moreover, they didn't begin with much. *More than a third* of our respondents started their fast-growth businesses with less than \$10,000. *More than another third* started with between \$10,000 and \$50,000.

Naïve, you say. Babes in the woods. Nope—we thought of that possibility, and asked them how much they actually needed. "Less than I figured," said 10%. "About what I figured," said another 50%. Not was there any statistical correlation between low initial estimates and needing more later.

The money wasn't hard to find: usually it was their own. Three-quarters checked

"own resources" as a significant or most important source of capital; varying percentages also checked "mortgaging own assets," "personal loans from bank," and the like. When they did get an initial infusion of capital from the outside, it was much more likely to come from a bank (in the form of a corporate loan) than from a friend, relative, or equity investor. And the decisive factor, in most cases, was once again that network. "Personal relationships or business contacts" and "extensive expe-



"I was on the other side of the business, trying to fight change. Then I decided, 'Why not join them?'"

—Jim Hanahan

GEORGE JOHNSON

rience in industry" were by far the most frequently cited reasons for success in raising money.

So: how do you start a multimillion-dollar business on a small nest egg? Our respondents make it sound easy.

Bill from Day One. Robert Howe of ADS got a \$30,000 loan from a friend, added in some of his own and his partner's money, and set up shop as a custom programming service for banks. Since he had his clients lined up, he had a revenue stream; and in six months was able to get a \$10,000 short-term loan from the bank. Jim Hanahan, similarly, kept his expenses to a bare-bones

GOING TO EXTREMES

The typical INC. 500 CEO started with a modest amount of money, most of it his or her own. Then there are the atypical start-ups:

■ **Thinnest shoestring.** Bob Rodriguez, then 20, deposited a \$50 check in the bank to start his sales promotion company. It bounced. Oh, well. Rodriguez and his partner had seven or eight credit cards, used them to run up about \$10,000 in debt, then lost them all. Regularly overdrawn at the bank, they survived only because an assistant manager there believed they'd succeed. Finally they landed a big account—Eastern Airlines Inc. Fortunately, Eastern accounted for only 4% of Rodriguez's sales when the airline filed for Chapter 11 protection.

■ **Most unusual source of capital.** Frederick Baker was a regional manager for C.P.S. Cablevision in 1975 when company owner James Peno fired him. Eighteen months later Peno called and asked Baker to take on some installa-

tion contracts that C.P.S. couldn't handle. Peno even agreed to lease equipment to his former employee and to countersign a \$1,700 loan. With that capital Baker started his own company; 10 years later he bought Peno out.

■ **Hanging in there the longest.** James Read figured he could build a better screening plant—a piece of heavy equipment designed to sift stone and earth—than anything on the market. So in 1977 he sold his construction company's assets for \$200,000 and proceeded to spend it all. Three years later he had been turned down by banks and venture capitalists, had mortgaged his house, borrowed money from friends, and spent his father's life savings—running through \$600,000 in all. But his fledgling company was still struggling: by 1982 it was \$300,000 in debt, including \$50,000 in back taxes. Read scraped together \$20,000 and could find no more—until, two days before the IRS's deadline, a customer plunked down an

minimum—less than \$50,000—until he had signed up some customers. He didn't borrow any money until it was time for him to buy a computer.

Develop a network of suppliers. Tom Scholl, who runs an advertising agency in Detroit, found that starting his business took more than the \$10,000 he originally planned, particularly since a couple of seemingly sure customers backed out. What kept him alive was help from his friends: one who ran a recording studio, another with a broadcast production business, a third with a music company, all of them willing to work for Scholl, on spec if necessary, to help him develop his business along with their own. Jim Brett, cofounder of Brett Aqualine Inc., a California manufacturer of equipment for portable spas, took the network concept one step farther. Like Scholl he lined up support from suppliers, all of whom knew him from the industry. Then he went to one of his prime customers and explained that he needed a letter of credit in order to produce the goods. That, plus supplier credit, allowed him to begin.

Don't be shy of banks. Banks may always be skittish about start-ups, probably with good reason. But they'll often lend against hard assets to people they know and trust, even in a business's early stages. Bobby Frost, of Consolidated Glass & Mirror, estimates he and his brother got about \$150,000 in bank loans in his company's start-up days, all of it secured by land, building, or equipment. All told, about one-third of our respondents got significant start-up money in the form of corporate loans from banks.

(continued)

order and a check for \$58,000. The immediate crisis over, Read watched The Read Corp. grow to current sales of \$45 million.

Biggest spender. Mark Ain raised \$45,000 to develop his idea for a computerized tracking system for hourly employees. Then he sold \$471,000 worth of stock to finance a prototype system and \$608,000 worth to finance production. Once in production, he ran out of money and raised \$200,000 more. Finally he realized he needed a national network to install and service his systems, and he brought in two venture capital firms for a total of \$800,000. His secrets? "People say I'm one of the best raisers of capital they've ever come in contact with," says an immodest Ain. "I'd set a date for closing [each] offering, then I'd tell everyone, 'It looks like we're oversubscribed.' " They came, they saw, they invested—and Ain's company, Kronos Inc., is finally making money.

First Anniversary Second Anniversary Third Anniversary Fourth Anniversary

While she accepts the fact that you never promised her a rose garden, isn't it time you stopped trying to give her one?

This year, tell her you'd marry her all over again.
The Diamond Anniversary Band.

A diamond is forever.

Suggested retail price for rings \$2,000-\$2,360.
For more information, call 800-922-9877.

ARTCARVED®
SINCE 1850

Circle No. 40 on Reader Service Card.

**BORROW OUR FAX
FREE FOR A WEEK.
IF IT DOESN'T EARN
ENOUGH TO BUY
ITSELF, SEND IT
BACK.**

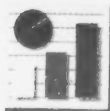
CALL 1-800-44-FAX-IT.

HARRIS/3M

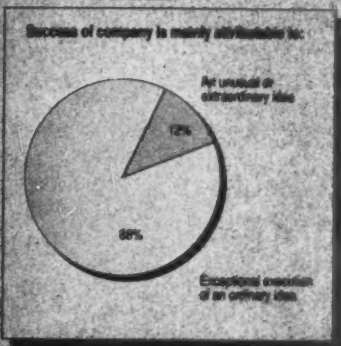
© 1989 Harris/3M Document Products, Inc. Harris is a trademark of the Harris Corporation. 3M is a trademark of the 3M Company. Offer valid for business with approved credit at participating Harris/3M sales offices. Length of free trial may vary.

Circle No. 81 on Reader Service Card.

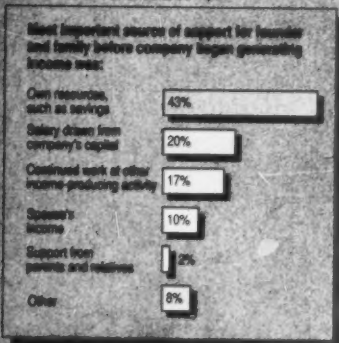
NETWORKING



WHY IT WORKED



SURVIVING START-UP



HOW THE SURVEY WAS CONDUCTED

In early February we sent an eight-page questionnaire to the 2,300 companies that have appeared on the INC. 500 list since it was introduced in 1982. We received a total of 665 usable replies, for a response rate of 29%. Survey results were tabulated by Data Tabulation Services Inc., of Stoneham, Mass.

The survey was conducted under the direction of special projects editor Sara Baer-Sinnot. Additional research was provided by Elizabeth Conlin, with assistance from Mary Harbaugh, Ann Mueller, and Julie Rasicot.

WHO THE RESPONDENTS ARE The oldest respondent to our questionnaire, B. D. (Bernie) Efron of Economy Res-

How nice it would be if all our questions—about background and business ideas, about getting started and raising money—led to some simple lessons: How to Create an INC. 500 company.

Alas, we found no magic key. Did you think you hit upon an extraordinary idea for a business? We asked them. No—only 12% thought so. Was it the carefulness of your planning? No again—a sizable fraction said they didn't plan much, and plenty said their plan ran into major obstacles. A few mentioned hard work, drive, determination as the important factors in their success. We know the importance of these qualities—but we also know a lot of entrepreneurs who drive themselves as hard as anyone and barely keep their heads above water.

But there *were* those themes that kept cropping up among otherwise disparate stories, the themes of Hanahan, Smith, Frost, and the others. These company builders had extensive experience in an industry. They had spent years developing networks of contacts and colleagues, had come to be known and trusted. When an opportunity came along they knew enough to spot it—and to develop their business idea with the people who later would be partners, customers, suppliers. Some even drew on this same network for start-up capital. In effect, they assembled a group of people, all of whom played a role in the creation of a new business.

This cooperative venturing isn't entrepreneurship the way it's usually thought of, the cowboy company-founder who sets out to conquer the marketplace alone. But—since this is the INC. 500 we're talking about—it may be entrepreneurship at its most successful.

restaurant Equipment Inc., is 72. The youngest, Sam Means of Pennsylvania Computer, is a full half-century younger. The biggest company is Thomas Wathen's Pinkerton's Inc. (\$650 million in sales), while the smallest is James W. Clifford's Associated Images Inc. (\$90,000), which has redefined its business focus since making the INC. 500 in 1984 and 1985.

If you want typical, however, here's typical. Median age of respondent: 43. Median sex (so to speak): male (only 5% are women). Median number of employees: 70; median revenues: \$7.7 million. Some 43% of respondents work in service businesses, with 26% in distribution and retail, and 23% in manufacturing.

YOUR BASIC GOOD CAREER MOVE

The conversion of Neil Kleeman

You tell people you're going into business for yourself," says Neil Kleeman, "and they all say, gee, you're really brave. But courage really didn't enter into it." In fact, to hear Kleeman tell it, starting Solution Systems Inc. wasn't terrifying or lonely or any of those other things that entrepreneurship is supposed to be—at least not at first. It was simply a logical career move.

"I was doing the same thing—computer time-sharing—for United Computing Systems (UCS), a subsidiary of United Telecommunications Inc., which now includes U.S. Sprint. Back before the breakup of AT&T, United Tel was the third biggest phone company. It had set up UCS as a national time-sharing business doing database management and scientific/engineering computing. I worked there six years, in the field, doing sales and support work. And I had reached a point where, to get any further, I was going to have to move to corporate headquarters in Kansas City."

Kleeman, then 33, wasn't wild about leaving Philadelphia, particularly since his wife wanted to know how often he'd come back to visit her. And then there was the matter of money. As he'd moved up in UCS, from managing the Philadel-



Neil Kleeman of Solution Systems
Going it alone just made sense.

EUGENE MOISEK

phia office to a regional marketing position to product responsibility for the entire East Coast, he'd moved from one incentive system to another—and had seen his income drop two years in a row. He contemplated a lateral move in the industry, going so far as to talk with Sun Information Systems, another time-sharing company. But at Sun he wouldn't have been on commission at all—"it just wasn't the same opportunity to make money." And besides, he smelled the same lack of independence that had bothered him at UCS. "It was the big-company thing, the politics, never being sure whether you're trying to sell a product or just advance yourself in the company."

So—what the hell—Kleeman began thinking about going out on his own. In a way, it was the easiest decision in the world.

The notion of starting a business, for example, was neither alien nor scary. His father ran a dry-cleaning company that Kleeman worked in all through high school. And he knew the time-sharing industry. "I'd developed all kinds of contacts through UCS. I knew suppliers; I knew potential customers." He also knew that the technology was changing fast, and that the necessary computing power could be acquired for much less money than even a few years earlier. He did spreadsheet after spreadsheet—"on UCS computers, of course"—until he'd convinced himself that his numbers were both encouraging and accurate. Operating with a fraction of his competitors' overhead he could offer competitive services—and at more than competitive prices. On a weeklong cruise to the Caribbean with his wife and two friends, Kleeman talked over his plan. By the end of the cruise he had made his decision.

Taking the first steps wasn't much harder. Kleeman's livelihood wasn't in jeopardy: he was still employed by UCS. And he knew just what to do. He met with Prime Computer Inc. and Digital Equipment Corp., to explore hardware options. He liked Prime's deal, but quickly realized his embryonic venture would never be entrusted with the lease of a \$300,000 computer. So he approached his friend Bill Leishear, president of an architecture/engineering firm known as The Sigel Group.

Sigel, Kleeman figured, was in a good position not only to be his first customer but to buy his computer. "Their usage of outside computing was growing—both for architectural and engineering analysis and for project management, control, accounting, and so on. One way to control those costs was to bring a computer in-house. But if you do that you open up



Kleeman with computer system
'It was the first time I couldn't think of quitting as an option.'

another set of problems—hiring new people, doing the programming, taking care of the administration and maintenance of the machine." The solution Kleeman proposed to Leishear: you buy the computer and lease it to my new company. We'll provide you with all your data-processing needs. The numbers, he knew, showed that Sigel could save money—and that the new business would have computer time left over to sell to other customers.

Kleeman had taken his cruise in February 1981. By June he had worked out a deal with Sigel and Prime; in early August he quit his job, with money from his parents to help get Solution Systems up and running. In September the computer arrived. A couple of early employees came over from UCS. With equipment, a customer, working capital in the bank, and employees, Kleeman was finally in charge of his own company. And for the first time he was feeling a little nervous.

Selling, for example, wasn't quite the same game when you were playing with your own money rather than the house's. "We had one client we thought we had really nailed down," says Kleeman. "I say 'we'—that's because I made a conscious effort early on not to say 'me,' so the company would appear bigger than it was. But at the time it was all me."

"Anyway, I had talked to [that client], and said, look, if I start my own business, would you come over? And they said, yeah, they'd talk. So when I left UCS I went into high gear on these people and made them some specific offers that were very financially attractive deals. I was getting lots of nods of approval. And then the business was sold. So we kind of regrouped and started talking to the new owners. And it was sold again.

It ended up taking months longer than we thought."

Right around then, says Kleeman, it began to sink in. "I kept thinking, what have I done? Why did I do this? What needs this aggravation?" It wasn't just his own livelihood, he realized, that was at stake; he also felt responsible for the people he had brought on as employees, and of course for Leishear's computer. So while he figured he himself could always find a job, maybe even go back to UCS, he didn't feel free to quit. That, says Kleeman, taught him something about himself. "I always thought that I was a hard worker. I'd see a specific job and do whatever I had to do to get it done. But perseverance—that was a big part of what I thought was me. And there I was in a situation where I just couldn't think of quitting as an option."

For Kleeman—as for most of the other entrepreneurs who built INC. 500 businesses—the story was a happy one, with revenues doubling and redoubling as several new clients signed up. Today Solution Systems does close to \$2 million in sales with 12 employees. Looking there, he acknowledges, was a little longer and turned out to be a year that harder, both practically and emotionally than he expected.

But taking the first step? The market place has its own logic, and it's better, says Kleeman, it might have been someone else starting a new time-sharing company. For if there's one thing our survey shows, it's that a lot of new niches have been opening up. When they do, there are likely to be people who have worked in and around those industries who can spot the opportunities the new niches represent, and who can construct new companies out of their experience, contacts, and hard work.

A Manager's Notebook

HANDS ON

MARKETING: WHO LIKES YOU FOR YOUR TOLL-FREE NUMBER?

If a company has an 800 number you can call for information or a complaint, does this give you more confidence, or less confidence in the company, or does it affect your confidence one way or the other?

	Total	AGE				OCCUPATION		
		18-29	30-44	45-59	60+	Executive/professional	White-collar	Blue-collar
More confidence	48%	50%	53%	44%	41%	57%	51%	44%
Less confidence	1	2	2	1	1	1	3	1
Doesn't affect confidence	46	44	42	52	50	41	45	51
Don't know/no answer	4	4	3	3	8	2	2	5

Source: *Roper Reports*. The Roper Organization, Inc., 1988, based on 7,000 face-to-face interviews with adults age 18 and over.

SELLING

GETTING ON LINE

Putting your company's catalog into software form may not be just a smart option—it may be the best way to compete for customers who are doing more and more of their work with computers.

Two years ago Taco Inc., a 60-year-old Cranston, R.I., pump manufacturer, decided

that the engineers who buy its products would have an easier time if the catalog were available as software—the software's graphics capabilities would allow customers to figure out which pump configurations would best meet their needs without spending hours at their calculators.

"We felt engineers who were already using comput-

ers would jump at the option of avoiding a manual catalog," says John White, vice-president of sales and marketing. The cost of the program and its updates varies, but a typical package might go for around \$100. With the new system, White says, not only are customers making their choices faster, but new customers are coming in as well.

OPERATIONS

MAKE NO MISTAKE

How do you get your employees to learn from one another's mistakes? John Thomas, CEO of Dakota Systems, a mechanical contractor in Andover, Mass., decided to go with the light touch.

A few years ago Thomas pulled a \$450 "mistake" out of the company's dumpster, mounted it on a plaque, and named it the "no-nuts award"—for the missing parts. A presentation ceremony followed at the company barbecue. "You can bet no one makes that mistake anymore," Thomas says. "The winner, who was initially embarrassed, now takes pride in the fact that his mistake has saved this company a lot of money."

Another big winner was the ambitious employee who experimented not with 80¢-per-foot copper tubing, but with \$12-per-foot stainless tubing—because it was handy. The award presentation has become an annual event, with the "prizes" on display in the company's conference room. Thomas estimates that the lessons learned from the good-natured ribbing save him about \$3,000 a year in materials alone.

MANAGING PEOPLE

WHAT MOTIVATES MANAGERS?

	Important or very important	Factor exists at work
Challenging work	97%	88%
My opinion matters when decisions are made	96	69
Recognition when I've done a job well	91	55
Pay clearly tied to my performance	89	50
Working for a company I can be proud of	87	79
Good, fair performance measures	85	39
Autonomy on the job	82	66
Competitive salary	81	81
Clear performance goals	78	40
Opportunity to learn on the job	76	77
Clear career opportunities	74	26
Harmonious relationships with my co-workers	71	75
Job security	59	58
Generous benefit program	54	68
Special incentives (merchandise, travel)	9	11

The five factors in red indicate the greatest disparity between what managers value and its availability in their workplace.

Source: From a 1988 survey of 383 American Productivity & Quality Center members, 171 of whom identified themselves as top management and 198 as middle management.

RESOURCES

DIRECT MAIL

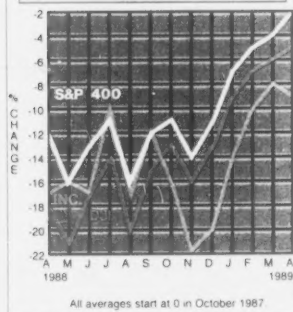
Thinking of using the U.S. mail to get new customers? Or to serve the ones you already have? If you're not familiar with the basics of direct mail, Quill Corp., with 32 years of experience in direct-mail campaigns, may be able to help you out. It publishes a primer, *How to Compile and Maintain a Mailing List*.

The 40-page booklet spotlights what to include in a database, how to judge the value of a name, how to keep a list duplicate-free, in-house sources for names, and types of out-of-house lists and where to get them. It also catalogs software and supplies a list of further reading. The booklet is available free from Quill Business Library, 100 South Scheller Road, Lincolnshire IL 60069.

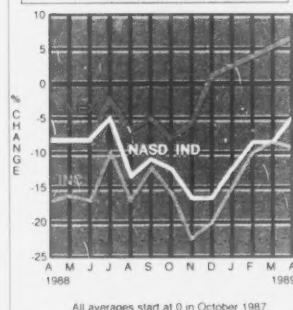
Reported by Leshe Brokaw and Teri Lammers

INVESTING IN GROWTH COMPANIES

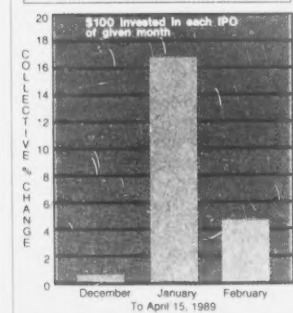
INC. vs. CONSERVATIVE AVERAGES



INC. vs. SPECULATIVE AVERAGES



IPOs IN THE AFTERMARKET



INITIAL PUBLIC OFFERINGS: MARCH 1989

O-T-C sym.	Company	Business/product	Offering Size (\$mil.)	Price	First aftermarket bid	Underwriter
AGRS	Agristar	Dvlps. containers for plant storage & shipment	5.00	1.25	1 1/8	Nelson Securities
AST ^b	Aim Strategic Income Fund	Closed-end fund	57.00	10.00	10	Paine Webber
ABAE	American Body Armor & Equipment	Mfrs. & distr. bulletproof garments	4.00	4.00 ^d	5 1/8	Commonwealth
^a	Amsterdam Capital	Blind pool	0.22	5.50 ^e	5 1/2	Westminster Stephens
AFWY	Arkansas Freightways	Trucking co.	15.84	12.00	13 3/4	
BNTNU	Benton Oil & Gas	Oil & gas exploration	3.50	5.00 ^f	5 1/4	Paulson Investment
EMONU	Environmental Monitoring & Testing	Monitors & tests groundwater	1.50	5.00 ^g	8	Alison Baer
JERIU	Journey's End Resorts	Operates Caribbean resort	2.13	5.00 ^h	4 1/4	Anderson
KILSF	Keller Industries Ltd.	Repairs & rehabs water-main pipelines	2.03	6.75 ^h	7 1/2	Levco Securities
KSM ^c	Kemper Strategic Municipal Income Trust	Closed-end fund	120.00	12.00	12	Smith Barney
PRST	Presstek	Page composition & printing systs.	6.50	5.00 ⁱ	5 1/8	Whale Securities
PURTU	Pure Tech International	Dvlps. process for recycling plastics	5.20	4.00 ^j	5 1/2	D. H. Blair
RBFU	Richard Barrie Fragrances	Dvlps. & mkts. personal-care prods.	3.00	5.00 ^k	4 1/8	Russo Securities

Initial public offerings sold at \$1 or less not included. First aftermarket bid is approximate. ^a no symbol. ^b trading on AMEX. ^c trading on NYSE. ^d 750,000 shares were offered by stockholders. ^e units of 1 common + 15 Class A warrants + 15 Class B warrants. ^f units of 1 common + 1 warrant. ^g units of 4 common + 1 warrant. ^h units of 3 common + 2 warrants. ⁱ units of 4 common + 4 warrants. ^j units of 2 common + 1 warrant. Offering data source: GOING PUBLIC: THE IPO Reporter, a publication of The Dealer's Digest Inc., 150 Broadway, New York NY 10038

STREET TALK

Let it be admired that the world's largest corporation can cost-cut as effectively as the leanest and meanest of small businesses. Indeed, maybe even better. As thousands of cushy desk jobs were sent the way of the Fiero, the enhancement of GM's first-quarter earnings shows what can be done to fortify an operating statement merely by examining the productivity of middle management. No doubt it's easier for GM cold-heartedly to terminate a white-collar worker than for a more modest enterprise to give Bob Cratchit in accounting his walking papers. But, as Wall Street forced GM to see, you can't eat sentiment.

Among other blue chips, GM's staunch price performance has helped the market push close to October '87 levels. Is it safe to say that the Crash was, after all, a quirk? In an economical sense, yes: the Fed reacted intelligently, and there has been no recession, both interest rates and inflation have stayed within reason, foreign stock markets haven't collapsed, the dollar has held its own. But in a technical sense, the same danger still lurks. This corner has never doubted that Black Monday was largely caused by big-money computer-trading programs. Unfortunately, the elitist New York Stock Exchange and the not-really-on-the-side-of-the-little-man SEC have done little to protect small investors from a similar catastrophe.

—Robert A. Mamis

COPYRIGHT © 1989 BY GOLDBIRSH GROUP, INC. All rights reserved. Editorial and executive offices at 38 Commercial Wharf, Boston, MA 02110. INC. (ISSN 0162-8968) is published monthly by Inc. Publishing Company, 38 Commercial Wharf, Boston, MA 02110. Subscription rate for U.S. and Possessions, 12 issues \$25. All subscription correspondence should be addressed to INC. magazine, P.O. Box 54129, Boulder, CO 80322-4129. Please allow at least six weeks for change of address. Include your old address as well as new, and enclose if possible an address label from a recent issue. Second class postage paid at Boston, MA, and additional mailing offices. Postage paid at Mississauga, Ontario. POSTMASTER: Send address changes to INC. magazine, P.O. Box 54129, Boulder, CO 80322-4129. Material in this publication must not be stored or reproduced in any form without permission. Requests for permission should be directed to Permissions Coordinator, INC., 38 Commercial Wharf, Boston, MA 02110. Inc. is a registered trademark of Goldbirsh Group, Inc.

JUNE 1989 VOL. 11 NO. 6